

Message Text

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DRAFTED BY H:KBJENKINS:RMS

APPROVED BY THE ACTING SECRETARY

S/S -PSHANKLE

C - MR. SHINN (DRAFT)

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TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 164182 TOSEC 060124

NODIS

E.O. 11652:GDS

TAGS: OVIP (KISSINGER, HENRY A.), EEWT

SUBJECT: SOVIET TRADE AGREEMENT TIMING AND STRATEGY FOR
AMENDMENTS

FOR THE SECRETARY FROM THE ACTING SECRETARY

1. DURING THE EAST-WEST TRADE BOARD MEETING THIS MORNING WHICH I ATTENDED (ACCOMPANIED BY JENKINS FROM H), SIMON BACKED OFF FROM HIS PREVIOUS POSITION OF PRESSING FOR AN IMMEDIATE EXECUTIVE BRANCH INITIATIVE TO CHANGE THE JACKSON-VANIK AMENDMENT. IT WAS APPARENT THAT THE WHITE HOUSE HAD GIVEN HIM THE SIGNAL TO STAND DOWN.

2. SIMON REPORTED ON HIS MEETING WITH CODEL HUMPHREY/SCOTT AT BREAKFAST THIS MORNING AND SAID THAT IT CAME ACROSS VERY CLEARLY TO HIM THAT WE MUST PERMIT RIBICOFF AND JAVITS TO TAKE THE LEAD IN DEVELOPING MODIFICATIONS OF JACKSON-VANIK. HE SAID THAT HE, TOGETHER WITH YOU, WILL JOIN THE PRESIDENT AND THE MEMBERS OF CODEL HUMPHREY/SCOTT NEXT WEEK
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TO DISCUSS EXACTLY HOW TO PROCEED. SIMON ADDED THAT THE

SENATORS FEEL VERY STRONGLY THAT WHATEVER INITIATIVE IS DECIDED UPON SHOULD COME AROUND LABOR DAY. RIBICOFF HAS, ACCORDING TO SIMON, ALREADY SPOKEN TO JACKSON ABOUT HIS DETERMINATION TO SEEK A CHANGE IN JACKSON-VANIK, AND

"JACKSON IS VERY UNHAPPY".

3. FRED DENT POINTED OUT THAT IT WILL BE IMPORTANT TO ENGAGE MEMBERS ON THE HOUSE SIDE FAIRLY QUICKLY OR THEIR NOSES WILL BE OUT OF JOINT. IT WAS AGREED THAT THIS SHOULD BE DISCUSSED WITH THE PRESIDENT AS WELL NEXT WEEK. SIMON, IN A COMPLETE TURNABOUT FROM THE LAST BOARD MEETING, CONFIRMED THAT THE SENATORS HE BREAKFASTED WITH THIS MORNING WERE AGREED THAT THE OTHER ISSUES SUCH AS EMIGRATION, SALT AND THE MIDDLE EAST, WILL BE CRITICAL IN SHAPING THE CONGRESSIONAL RECEPTIVITY TOWARD A MODIFICATION OF JACKSON-VANIK.

4. WE THEN DISCUSSED HOW TO HANDLE THE MAGNUSON COMMERCE COMMITTEE HEARINGS ON JULY 15 ON EAST-WEST TRADE. I RECOMMENDED THAT WE SEEK POSTPONEMENT OF THE HEARING, AND THIS WAS AGREED TO. IT WAS FELT THAT HEARINGS ON THIS SUBJECT WOULD BE MUCH MORE TIMELY EARLY IN SEPTEMBER WHEN THE INITIATIVE TO MODIFY JACKSON-VANIK HAS BEEN DEVELOPED. SHOULD WE FAIL TO PERSUADE MAGNUSON TO POSTPONE, SIMON AGREED TO AVOID PRESSING FOR SPECIFIC LEGISLATIVE CHANGES AND LIMIT HIS COMMENTS TO GENERAL SUPPORT FOR MODIFICATION.

WE LEARNED FROM TREASURY THIS AFTERNOON THAT INOUE HAS AGREED TO POSTPONE THE COMMITTEE'S HEARINGS SCHEDULED FOR JULY 15 AND 23.

5. OTHER SUBJECTS: RUSSELL LONG'S PROPOSAL THAT THE BOARD ADD A DOD REPRESENTATIVE PROVOKED CONSIDERABLE OPPOSITION, ESPECIALLY FROM MORTON, WHO RECOGNIZED THE PROPOSAL AS A DOWNGRADING OF HIS OWN EXPORT CONTROL BOARD. IT WAS AGREED THAT ANY INITIATIVE ON THIS SUBJECT SHOULD COME AFTER THE JACKSON-VANIK QUESTION HAS BEEN RESOLVED AND PERHAPS BLANKETED WITHIN MURPHY COMMISSION RECOMMENDATIONS. THIS WOULD DIMINISH THE POSSIBILITY THAT THE

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SOVIETS MIGHT PERCEIVE THE ADDITION OF A DOD REPRESENTATIVE AS A HOSTILE STEP.

6. FRED DENT HAD CALLED FOR A PAPER TO BE PREPARED FOR THE BOARD ON LEGISLATIVE BARRIERS TO TRADE WITH CUBA. THE BOARD AGREED WITH MY RESPONSE THAT IT WAS PREMATURE PRIOR TO THE COSTA RICA OAS MEETING, AND OUR CONCERN THAT EVEN THE PREPARATION OF SUCH A PAPER MIGHT BE VIEWED AS A STEP

TOWARD LIFTING THE EMBARGO. THE BOARD AGREED TO TAKE A LOOK AT THIS QUESTION AFTER THE OAS MEETING.

7. SIMON INTRODUCED THE SUBJECT OF A PROPOSED ROMANIAN INVESTMENT IN THE OCCIDENTAL COAL MINE PROJECT IN THIS

COUNTRY DESIGNED TO PROVIDE THE ROMANIANS WITH A SECURE SOURCE OF COKE IN EXCHANGE FOR A \$50 MILLION INVESTMENT. THERE WAS GENERAL AGREEMENT THAT THE PROJECT HAS SEVERAL BOOBY TRAPS IN IT IN TERMS OF PUBLIC OPINION IN THE UNITED STATES AND OUR OWN COAL POLICY.

8. SIMON, JIM LYNN AND RICHARD BELL (AGRICULTURE'S REPRESENTATIVE) THEN TALKED AT LENGTH ABOUT THE RUMORS THAT THE SOVIETS ARE ABOUT TO MAKE MAJOR GRAIN PURCHASES IN THE UNITED STATES AGAIN. LYNN RECALLED THE UNHAPPY EXPERIENCE OF TWO YEARS AGO. IT WAS AGREED THAT STATE DEPARTMENT, ALONG WITH USDA, SHOULD MONITOR SOVIET PURCHASE DECISIONS CAREFULLY AND STATE SHOULD ASK THE SOVIETS TO CONSULT WITH USG IF THEY PLAN MAJOR GRAIN PURCHASES. INGERSOLL

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